

PUBLIC HEARING

ON

**BILL 18-211, “KIPP DC – DOUGLASS PROPERTY
TAX EXEMPTION EMERGENCY ACT OF 2009.”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**May 21, 2009, 10:00 a.m.
Room 412, John A. Wilson Building**



**Testimony of Richie McKeithen
Director of Real Property Tax Administration
Office of Tax and Revenue**

**Natwar M. Gandhi
Chief Financial Officer
District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Richie McKeithen, Director of Real Property Tax Administration for the Office of Tax and Revenue. I am pleased to present testimony on Bill 18-211, “KIPP DC – Douglas Property Tax Exemption Emergency Act of 2009.”

The purpose of this bill is to exempt indefinitely property located on Douglass Road, S.E. as long as it is owned or leased by KIPP DC, a charter school operator, or KIPP-DC-Douglass, Inc. (“the Douglass Subsidiary”). Additionally, the legislation would exempt the Douglass Property from recordation and transfer taxation if any portion of the property were transferred between KIPP DC and the Douglass Subsidiary. The proposed legislation would allow the property to remain tax exempt if it were transferred to the Douglass Subsidiary, provided that the Douglass Subsidiary immediately subleases the property back to KIPP DC, and the property and its improvements are continuously used and managed as charter school facilities.

KIPP DC currently owns and operates a public charter school on the Douglass Property, which is exempt from real property, possessory interest, and recordation and transfer taxes pursuant to an exemption in the District's Tax Code.

The Douglass Subsidiary was created to take advantage of the New Market Tax Credit Program to help finance the planned renovation of the property, which will result in four operational charter schools. At the closing of the New Market Tax Credit financing, KIPP DC will transfer ownership of the Douglass Property to the Douglass Subsidiary, which will immediately sublease the entire property back to KIPP DC. The property would continue to be used by KIPP DC to operate public charter schools.

In February of 2009 KIPP DC applied for exemption from real property tax with the Office of Tax and Revenue. That application is still pending, but would not ultimately be successful. OTR recommended to KIPP DC that they seek exemption through legislation because the Douglass Subsidiary is not a non-profit or a tax exempt entity. The only way to exempt the Douglass Property from all forms of taxation is through legislation, which Bill 18-211 would accomplish.

Funds are sufficient in the District's budget to implement the Bill 18-211.

The bill would not impact revenue collection, as the Douglass Property's tax exempt status as a public charter school would not change under the proposed legislation.